



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 20, 2005

### **Reconciliation Recommendations of the Senate Committee on Energy and Natural Resources**

*As approved by the Senate Committee on Energy and Natural Resources  
on October 19, 2005*

#### **SUMMARY**

This legislation would direct the Secretary of the Interior to establish an oil and gas leasing program for the coastal plain of the Arctic National Wildlife Refuge (ANWR) in Alaska. Under the legislation, half of the proceeds from that program would be paid to the state of Alaska. CBO estimates that enacting this legislation would reduce direct spending by \$2.5 billion over the 2006-2010 period and by \$2.6 billion over the next 10 years. Enacting the legislation would not affect federal revenues.

This legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. CBO expects that the state of Alaska and some Alaska native corporations would receive substantial benefits from enactment of this legislation. The state would receive 50 percent of the gross proceeds from oil and gas leases on federal lands in ANWR, and corporations would receive additional receipts from any new leases on their lands.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of this legislation is shown in the following table. The savings from this legislation fall within budget function 300 (natural resources and environment).

By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010
<b>CHANGES IN DIRECT SPENDING</b>											
Estimated Budget Authority	0	0	-2,000	-1	-500	-1	-1	-1	-1	-75	-2,580
Estimated Outlays	0	0	-2,000	-1	-500	-1	-1	-1	-1	-75	-2,580

## BASIS OF ESTIMATE

This legislation would direct the Secretary of the Interior to implement an oil and gas leasing program for the coastal plain of ANWR. The federal government would receive proceeds first from auctioning leases for oil and gas development rights, then from annual rental payments, and, once production began, from royalties. Under the legislation, Alaska would receive half of the gross proceeds generated from the proposed program.

The Secretary would be required to hold two lease sales prior to the end of fiscal year 2010. The legislation would deem an existing environmental impact statement sufficient for certain requirements under the National Environmental Policy Act and specify procedures for complying with that act. The legislation also would specify procedures for judicial review of certain administrative actions, deem the proposed leasing program and associated activities to be compatible with the purposes for which ANWR was established, and specify that any rights-of-way or easements granted under the legislation would be considered incidental to the management of the Coastal Plain. Considering those provisions, CBO expects that the required sales would occur in 2008 and 2010, and that receipts from winning bids would be collected in those years. Without those provisions, CBO expects that such collections would occur later.

We estimate that gross proceeds from bonuses paid by winning bidders would total \$5 billion. That estimate is based on information from the state of Alaska, the Energy Information Administration, and other sources. It also relies on the Interior Department's estimates of the amount of economically recoverable oil that might be produced from ANWR's coastal plain. As specified in the legislation, one-half of those receipts would go to Alaska, leaving net federal receipts of \$2.5 billion over the 2008-2010 period.

In addition to receipts from bonus bids, CBO estimates that the federal government would collect net receipts of about \$1 million a year from rental payments starting in 2008. Most of those payments would end in 2015, when we expect production would begin. CBO estimates that gross royalties in that year would total \$150 million, and after sharing half of

those receipts with Alaska, net federal collections would total \$75 million. We expect that the federal government would continue to collect royalties for many years beyond 2015.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

This legislation contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. CBO expects that the state of Alaska and some Alaska native corporations would receive substantial benefits from enactment of this legislation. The state would receive 50 percent of the gross proceeds from oil and gas leases on federal lands in ANWR, and corporations would receive additional receipts from any new leases on their lands.

### **ESTIMATE PREPARED BY:**

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